

CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING ADVISORY COMMISSION

***Request to Approve Issuance of Tax-Exempt Bonds and Transfer Industrial Development
Bond (IDB) Allocation***

**Nevada Heat Treating, Inc. dba California Brazing
Application No. 11-0005**

December 13, 2011

SUMMARY

Borrower/Project Sponsor and User – Nevada Heat Treating, Inc. dba California Brazing and/or a related entity

Issuer – Alameda County Industrial Development Authority

Location – City Newark, Alameda County

Requested IDB Allocation – \$5 million

Public Benefit Points Awarded – 74 points out of 147 possible

Staff Recommendation – Approval

THE COMPANY

Nevada Heat Treating, Inc. dba California Brazing (the Company) was incorporated in Nevada on December 2, 2002. The Company is a manufacturer of brazed components and assemblies for semiconductor manufacturing equipment for the defense, aerospace, and mining industries.

Major customers of the Company include FM Industries, Inc., Sanmina Corporation, Benchmark Electronics California, and Newport Corporation.

THE PROJECT

The Company has leased the 43,492 square foot building located at 37955 Central Court in Newark since 2004. The single story, concrete, tilt-up building was constructed in 2001. The Company believes that ownership of the facility will allow it to make the necessary modifications for the expansion of its manufacturing operations in the face of growing demand for its products. The seller of the property, Central Court Investors, is not affiliated with the Company. Escrow on the 4.5 acre property is anticipated to close on December 20, 2011. Bond

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proceeds will be used to purchase the land and existing building, and to acquire and install two brazing machines, a Matsura 27 Pallet Machining Center, and an Ipsen Vacuum Furnace.

Anticipated Project and Issuance Costs

	To be paid from <u>bond proceeds</u>	To be paid from <u>all other sources</u>
Acquisition of Land	\$ 600,000	\$400,000
Acquisition of Existing Building	2,250,000	750,000
Rehabilitation of Existing Building	0	400,000
Acquisition and Installation of New Equipment	2,000,000	700,000
Engineering/Architecture	50,000	0
Legal, Permits, etc.	0	20,000
Bond Issuance Expenses	<u>100,000</u>	<u>45,000</u>
Totals	<u>\$ 5,000,000</u>	<u>\$ 2,315,000</u>

Timeline

With the completion of escrow anticipated on or about December 20, 2011, the Company expects to commence renovations by the middle of December and complete the construction by June 2012. The equipment purchases will be acquired and installed as renovations proceed.

Financing Details

The tax-exempt IDBs will be sold in a public offering. The bonds will be variable rate interest bonds with a weekly reset, and they will be secured by an irrevocable Letter of Credit issued by Wells Fargo Bank.

Financing Team

- Issuer: ACIDA
- Credit Enhancement Provider: Wells Fargo Bank
- Bond Counsel: Lofton & Jennings
- Bond Underwriter: Westhoff, Cone & Holmstedt
- Financial Advisor: Progressive Capital
- Trustee: Wilmington Trust, N.A.

PROJECT EVALUATION

PUBLIC BENEFITS: The Project received 74 points out of a possible 147 pursuant to the California Debt Limit Allocation Committee (CDLAC) scoring system for IDB Projects. The award of points is detailed below:

A. Community Economic Need (0 of 25 points).

1. Unemployment Rate of the Project Area (0 of 10 points). In accordance with CDLAC procedures, points are awarded in this category if the 2010 unemployment rate of the county sub-area in which the Project is located is at least 125 percent of the 2010 statewide rate. The unemployment rate of this Project area is 85.5 percent of the statewide rate. Therefore, the Project received no points in this subcategory.

2. Poverty Rate of Project Area (0 of 5 points). In accordance with CDLAC procedures, the most recent data from the U.S. Bureau of the Census, which in this case is Census 2010 data, is used to determine if the Project qualifies for points in this category. Points are awarded in this category if the poverty rate is at least 110 percent or more of the statewide rate. The poverty rate for this Project area is 8.1 percent, which is 61.4 percent of the Census 2010 statewide rate of 13.2 percent. Therefore, the Project received no points in this subcategory.

3. Special Designation Area (0 of 5 points). The Project is not located in a special designation area.

4. Median Family Income (0 of 5 points). In accordance with CDLAC procedures, the most recent data from the U.S. Bureau of the Census, which in this case is from Census 2010, is used to determine if the Project qualifies for points in this category. Points are awarded if the Project is located in an area with a median family income of less than 80 percent of the statewide average. The Project is located in the City of Newark where the average median family income is \$82,782. The median family income for the State of California is \$60,392. So, the median family income for the Project area is 137.1 percent of the statewide average. Therefore, the Project received no points in this subcategory.

B. Job Creation (35 of 35 points). Points are awarded in this category based on the borrower and/or user's representation that it will use its best efforts to increase the number of direct, full-time employees at the Project site within two years of Project completion. The company represents that it currently employs 43 direct, full-time employees at the Project site. The company represents that it anticipates hiring an additional 20 direct, full-time employees, which equates to a 46.5 percent increase, within two years of completion of the Project.

C. Job Retention (0 of 10 points). Points are awarded in this category based on the Borrower's/User's representation that they have considered moving operations out of

state. There was no such representation in the application materials received, and therefore the Project received no points in this category.

D. Average Hourly Wage (10 of 10 points). In accordance with CDLAC procedures, the most recent data from the Bureau of Labor Statistics, which in this case is May 2010, is used to determine if the Project qualifies for points in this category. Points are awarded if the company's average hourly wage is at least 105 percent of the nearest Metropolitan Statistical Area (MSA) average hourly wage. The company's average hourly wage is \$33.30, while the MSA for the San Francisco/Oakland/Fremont area had an average 2010 manufacturing wage of \$15.92. Therefore, the company's average hourly wage is 209 percent of the average manufacturing wage for the San Francisco/Oakland/Fremont area.

E. Workforce and Economic Development (5 of 15 points).

1. Welfare-to-Work Plan (5 of 5 points). The Company provided a letter from Ms. Lori Jones, Director of the Alameda County Social Services Agency, which refers to its participation in the CalWORKs program. (See Attachment A.)

2. Workforce Training (0 of 5 points). The Company did not provide information indicating participation in a workforce training program.

3. Exports Outside California (0 of 5 points). The Company did not provide information indicating that they export products outside of California.

F. Health Care Benefits (15 of 15 points). The Company provided documentation that it contributes to medical and dental insurance for 40 of its 43 employees. This contribution translates into an average of \$691 per month toward the health care benefits for each covered employee. The remaining employees opted out for personal reasons. The Company represents that it will offer the same health benefits to new employees.

G. Payment of Retirement Benefits (0 of 5 points). The Company stated that it contributes to its employee 401K retirement benefits, but it did not provide information to substantiate the statement.

H. Environmental Stewardship (4 of 27 points).

1. Land Use (0 of 3 points). This Project does not involve the reuse of vacant or abandoned land or buildings.

2. Public Transit Corridor (4 of 4 points). The Company provided verification that the Project site is located within a public transit corridor. An Alameda County Transit Route 251 bus stop is located one block from the Project site.

3. Energy Efficiency and Renewable Energy (0 of 15 points). The Company did not provide information regarding the Project's energy efficiency.

4. Manufacturer of Certified Environmentally Preferable Products (0 of 5 points). The Company did not provide information indicating that the Project produces or will produce environmentally preferable products.

I. Leveraging (5 of 5 points). The total Project cost is \$7.315 million. The Company will borrow \$5 million of the Project costs in the form of tax-exempt IDBs, which will cover approximately 68.4% of the Project costs. The remaining 31.6% of Project costs will be covered by the Company's equity or other funds.

RELOCATION OF COMPANY OPERATIONS

The company will remain at its current location in the City of Newark in Alameda County.

STATUS OF PERMITS/OTHER REQUIRED APPROVALS

- The ACIDA approved the Inducement Resolution in an aggregate amount not to exceed \$13 million in tax-exempt (\$9,000,000) and taxable (\$4,000,000) IDBs for the Project on September 13, 2011.
- The TEFRA notice was published September 1, 2011 in the Inter-City Express, a newspaper of general circulation within Alameda County. A TEFRA hearing was held by Alameda County on September 20, 2011.
- The Project site is zoned for General Industrial uses. The Company's operations do not require additional land use or zoning approvals or permits.

LEGAL QUESTIONNAIRE

Staff reviewed the Borrower's/User's responses to the questions contained in the Legal Status portion of the application. The responses did not disclose any information that raises questions concerning the financial viability or legal integrity of the company.

PRIOR ACTIONS AND FINANCINGS

None.

LOCAL GOVERNMENT SUPPORT

Staff received a letter of support of the Nevada Heat Treating, Inc. Project from the City Manager for the City of Newark, John Becker. (See Attachment B.)

CIDFAC FEES

In accordance with CIDFAC regulations, the Company has paid CIDFAC an application fee of \$1,250¹ and will pay a closing fee of up to \$12,500.

RECOMMENDATION

Staff recommends approval of Initial and Final Resolution No. 11-0005 for \$5 million in tax-exempt bonds and Allocation Resolution No. 11-001-003 for \$5 million of tax-exempt IDB allocation for the ACIDA for the Nevada Heat Treating, Inc. dba California Brazing Project. Staff's recommendation is subject to staff analysis and approval of final bond documents and receipt of bond counsel's opinion as set forth in Initial and Final Resolution No.11-0005.

Staff report by: Deanna Hamelin

¹ California Code of Regulations Title 10, Chapter 8, Article 3, §6070

**INITIAL AND FINAL RESOLUTION OF THE
CALIFORNIA INDUSTRIAL DEVELOPMENT FINANCING
ADVISORY COMMISSION (CIDFAC)
INDUSTRIAL DEVELOPMENT BONDS
IR/FR #: 11-0005**

WHEREAS, the Alameda County Industrial Development Authority (the “Applicant”) has transmitted the application of Nevada Heat Treating, Inc. dba California Brazing (the “Project Sponsor”) for the issuance of \$5,000,000 in tax-exempt bonds under the provisions of the California Industrial Development Financing Act, and has transmitted said application to the California Industrial Development Financing Advisory Commission (the “Commission”) and the information necessary to permit review of said application by the Commission, and has informed the Commission that it has adopted a resolution declaring its intention to issue such bonds and that the County of Alameda held a public hearing regarding the issuance of the bonds and has approved the issuance of the bonds by the Applicant; and

WHEREAS, the Commission has reviewed the application and the materials submitted with the application.

NOW, THEREFORE, the Commission resolves as follows;

Section 1. The Commission, based on its review of the application and the information submitted therewith, does determine that:

(a) the public benefits described in the application likely will substantially exceed any public detriment from the issuance of the bonds in the total principal amount of \$5,000,000; and

Section 2. The Commission conditionally finds that the proposed issuance of the bonds qualifies under the provisions of Article 5 of Title 10 of the Government Code, and further finds that:

(a) the bonds will be adequately secured and the funds available to the Applicant will be sufficient to pay the principal of and interest on the bonds to be issued; and

(b) based on its review of the preliminary material submitted to it and as provided for under Government Code Section 91571, the proposed issuance will be fair, just and equitable to a purchaser of the bonds, and that the bonds proposed to be issued and the methods to be used by the Authority in issuing them will not be such as will work a fraud upon the purchaser thereof.

Section 3. The Commission determines that it is appropriate to the proposed transaction that the qualification of the proposed issuance be subject to the following conditions:

(a) the Bond Counsel Opinion, when ready for execution, shall be submitted to Commission staff;

(b) the final legal documents, when ready for execution, shall be submitted to Commission staff for its review. Submitted documents shall include:

- (i) Indenture
- (ii) Loan Agreement,
- (iv) Tax Certificate and Agreement, and;
- (v) Other documents which, in the opinion of Commission staff, are necessary to the review of the transaction;

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(c) the Commission staff shall determine that the final documents associated with the transaction have been developed in form and content substantially similar to the representations in the application on which are based the findings under Section 2. above;

(d) the bonds, when issued, are within the maximum limitation of bonds authorized in the California Industrial Development Financing Act (Section 91573(a) of California Government Code);

(e) the Commission shall receive all applicable fees prior to the issuance of the bonds, unless the bond documents indicate that such fees are to be paid from the proceeds of the bonds; and

(f) the Project Sponsor agrees to comply with Section 91533(l) of the Government Code relating to the payment of prevailing wages.

Section 4. This Resolution shall cease to be effective if the above-described bonds have not been issued within six months after the date of adoption of this Resolution.

Section 5. In compliance with the provision of the California Industrial Development Financing Act (Section 91754 California Government Code), the qualification of the proposed bond issue by this resolution is permissive only, and does not constitute a recommendation or endorsement of the bonds so qualified by the Commission.

**THE CALIFORNIA INDUSTRIAL DEVELOPMENT
FINANCING ADVISORY COMMISSION
RESOLUTION NO. 11-001-003
RESOLUTION TRANSFERRING A PORTION OF THE 2011 STATE CEILING
FOR QUALIFIED PRIVATE ACTIVITY BONDS FOR A
SMALL-ISSUE INDUSTRIAL DEVELOPMENT PROJECT**

WHEREAS, the California Debt Limit Allocation Committee (“CDLAC”) awarded allocation to the California Industrial Development Financing Advisory Commission (the “Commission”) for the purpose of awarding a portion of the allocation to local and State issuers; and

WHEREAS, the Commission has the authority to transfer a portion of its allocation to local and State issuers; and

WHEREAS, the Commission has received an application (“Application”) from the Alameda County Industrial Development Authority (“Applicant”) requesting a transfer to the Applicant of a portion of the 2011 State Ceiling on Qualified Private Activity Bonds (the “State Ceiling”) under Section 146 of the Internal Revenue Code of 1986, as amended, for use by the Applicant to issue bonds or other obligations (“Bonds”) for a Project as specifically described in Exhibit A (“Project”) (capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Procedures of the CDLAC Implementing the Allocation of the State Ceiling on Qualified Private Activity Bonds (“CDLAC’s Procedures”)); and

WHEREAS, the Project Sponsor (as defined in Exhibit A) has represented certain facts and information concerning the Project in the Application, which the Applicant has confirmed; and

WHEREAS, in evaluating the Project and potential allocation of a portion of the State Ceiling to the Applicant for the benefit of the Project, the Commission has relied upon the

written facts and information provided in the Application and otherwise by the Project Sponsor and the Applicant; and

WHEREAS, it is appropriate for the Commission to approve a transfer of a portion of the State Ceiling (“Allocation”) in order to benefit the Project described in the Application.

NOW, THEREFORE, the California Industrial Development Financing Advisory Commission resolves as follows:

Section 1. An amount of the State Ceiling equal to \$5,000,000 shall be deemed to be transferred by the Commission to the Applicant. Such Allocation may be used only by the Applicant and only for the issuance of Bonds for the Project, as specifically described in Exhibit A. All of the terms and conditions of Exhibit A are incorporated as though fully set forth herein (this resolution, together with Exhibit A, hereinafter referred to as the “Resolution”).

Section 2. The terms and conditions of this Resolution shall be incorporated in appropriate documents relating to the Bonds, and the Project Sponsor, the Applicant and their respective successors and assigns will be bound by such terms and conditions.

Section 3. Any modification to the Project made prior to the issuance of the Bonds must be reported to the Executive Director and, if the Executive Director determines such modification to be material in light of the Commission’s Procedures, such modification shall require reconsideration by the Commission before the Allocation may be used for the Project. Once the Bonds are issued, the terms and conditions set forth in this Resolution shall be enforceable by the Commission through an action for specific performance or any other available remedy, provided however, that the Commission agrees not to take such action or enforce any such remedy that would be materially adverse to the interests of the Bondholders. The

Commission may, as circumstances warrant, consent to changes in the terms and conditions set forth in this Resolution in the event the Commission is advised of changes in the Project.

Section 4. Prior to the issuance of the Bonds, any material changes in the structure of the credit enhancement and not previously approved by the Commission shall require approval of the Commission Chair or the Executive Director.

Section 5. The Applicant is not authorized to use the Allocation transferred hereby to make a carryforward election with respect to the Project. The Applicant is not authorized to transfer the Allocation to any governmental unit in the State other than this Commission.

Section 6. The Allocation transferred herein shall automatically revert to this Commission unless the Applicant has issued Bonds for the Project by the close of business within 90 days of the award of Allocation. In the case of extreme hardship, the Executive Director may extend this date by up to five (5) business days.

Section 7. Within twenty-four (24) hours of using the Allocation to issue the Bonds, the Applicant shall notify the Commission's staff and CDLAC's staff in writing (which may be by electronic or facsimile communication) that the Allocation has been used. Each notification to the Commission and to CDLAC shall identify the Applicant, the Project or program, the date the Allocation was used, and the amount of the Allocation used.

Section 8. Within fifteen (15) calendar days of the issuance of the Bonds, the Applicant or its counsel shall formally transmit to CDLAC information regarding the issuance of the Bonds by submitting, in a form prescribed by and made available by CDLAC a completed Report of Action Taken.

Section 9. Any differences between the amount of Bonds issued and the amount of the Allocation granted in Section 1 of this Resolution shall automatically revert to the Commission. If at any time prior to the expiration date set forth in Section 6 of this Resolution the Applicant determines that part or all of the Allocation will not be used to issue Bonds by that date, the Applicant shall take prompt action by resolution of its governing board or by action of its authorized officer to return such unused Allocation to the Commission.

Section 10. The staff of the Commission is authorized and directed to transmit a copy of this Resolution to the Applicant together with a request that the Applicant retain, for the term of the Bonds, a copy of this Resolution in the Applicant's official records. The Commission staff is further directed to retain a copy of this Resolution in the files of the Commission (or any successor thereto) for the same period of time.

Section 11. The Applicant and the Project Sponsor shall comply with all of the terms and conditions contained in this Resolution and ensure that these terms and conditions are included in the documents related to the Bonds. Further, the Applicant and the Project Sponsor expressly agree that the terms and conditions of this Resolution may be enforced by the Commission through an action for specific performance or any other available remedy, provided however, that the Commission expressly agrees not to take such action or enforce any such remedy that would be materially adverse to the interests of the Bondholders. In addition, the Applicant and the Project Sponsor shall ensure that the Bond documents, as appropriate, expressly provide that the Commission is a third party beneficiary of the terms and conditions set forth in this Resolution.

Section 12. The Project Sponsor or its successor-in-interest shall provide certifications of compliance with the terms and conditions set forth in this Resolution when reasonably requested by the Commission.

Section 13. This Resolution shall take effect upon its adoption.

EXHIBIT A

**RESOLUTION NO: 11-001-003
(A SMALL-ISSUE INDUSTRIAL DEVELOPMENT PROJECT)**

1. Applicant: ACIDA
2. Application No.: 11-0005
3. Borrower/Project
Sponsor and User: Nevada Heat Treating, Inc. dba California Brazing
and/or a related entity
4. Project Name: California Brazing Project
5. Project Description: Acquisition of Land, Acquisition and Rehabilitation of
Existing Buildings, and Acquisition and Installation of New
Equipment
6. Address: 37955 Central Court
Location: Newark, CA 94560
County: Alameda County
7. Amount of Allocation: \$5,000,000
8. The Project Sponsor has represented that it reasonably expects the User will use its
best efforts to achieve the following within two years of the completion of the
Project :
 - Creation of 20 additional direct, full-time positions; and
 - Participation in the Alameda County CalWORKS program.

Attachment A



Lori Jones
Agency Director

Thomas L. Berkley Square
2000 San Pablo Avenue, Fourth Floor
Oakland, California 94612
510-271-9100 / Fax: 510-271-9108
ssadirector@acgov.org
<http://alamedasocialservices.org>

November 7, 2011

Attn: Eileen Marxen
Executive Director
California Industrial Development Financing Advisory Commission
915 Capitol Mall, Room 457
Sacramento, Ca 95814

Dear Ms Marxen:

Nevada Heat Treating, Inc. d/b/a California Braising. has applied for an Industrial Development Bond to expand its operations in the community of Newark and has expressed an interest in having Alameda County's Welfare-to-Work program assist in identifying, screening and preparing CalWORKs clients to fill some of the 20 new jobs that the company hopes to create over the next two years.

Alameda County has staff assigned to work with the business to help make this important connection and make this new project a success for its CalWORKs clients as well as the business.

The linkage of the CalWORKs and the Industrial Development Bond program continues to promote self-sufficiency and stability; provides support to individuals and families and fosters a workforce development system that increases the economic vitality and human potential of communities through public and private sector partnerships. Therefore, Alameda County is committed to both of these initiatives and encourages the approval of the IDB for this project.

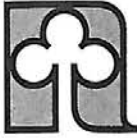
Thank you.

Sincerely,

A handwritten signature in black ink, appearing to be "Lori Jones", written over a horizontal line.

Lori Jones
Agency Director

Attachment B



CITY OF NEWARK, CALIFORNIA

37101 Newark Boulevard • Newark, California 94560-3796 • (510) 578-4000 • FAX (510) 578-4306

November 4, 2011

Ms. Eileen Marxen
Executive Director
California Industrial Development Financing Advisory Commission
915 Capitol Mall, Room 457
Sacramento, CA 95814

Dear Ms. Marxen:

The City of Newark wishes to express its support for the Nevada Heat Treating, Inc. d/b/a California Braising \$9,000,000 tax-exempt and \$4,000,000 taxable Industrial Development Bond (IDB) application that will be considered at your December 13, 2011 meeting.

We are very appreciative that California Braising will be purchasing the 22,000 square foot structure and 2.5 acres that it has been leasing at 37955 Central Court in the City of Newark, where they currently employ 80 people. We understand that the bonds for equipment refinancing and the purchase of the facility will enable significant capital investment in new equipment and installation as well as facility improvements that were not feasible in a leased property, thus providing a way for the business to continue to grow in Newark.

The manufacturing services that California Braising provides, which range from heat treating and brazing to component development, turnkey or high-volume manufacturing of specialized and critical brazed components and assemblies, makes it a critical component in the region's high-technology cluster. Its leadership in the metallurgical industry offers cutting edge, technological advances in braising, with customized, state of the art equipment to a wide range of the high-tech industries in the region that include aerospace, automotive, defense, energy and power, high energy physics, high vacuum applications, homeland security, medical, semiconductor, telecommunications and tool and die.

The IDB program is very important to the City of Newark as it has encouraged two other businesses to invest more than \$10.7 million and helped retain, create or support over 430 manufacturing jobs in the area, with a total of \$264 million in IDB bonds that have impacted 17,000 manufacturing jobs in the East Bay.

We are therefore requesting your approval of the Nevada Heat Treating, Inc. d/b/a California Braising IDB project allocation and thank you for your support of this very important program.

Sincerely,

JOHN BECKER
City Manager